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ABSTRACT

In May 1994, 26 experts from 10 countries attended a technical meeting on economic policies and employment. After hearing and discussing eight papers on the nature of the employment problem and its macroeconomic solution, the group formulated an outline for global action that called on nations to act together to increase their chances of providing remunerative and sustainable work for all their citizens. Among the principles and recommendations included in the outline were the following: (1) the industrial countries of the Organization for Economic Cooperation and Development must coordinate their policies for faster growth; (2) the momentum toward freer trade must be sustained with reductions in tariffs and other barriers by countries at all levels of development; (3) the system of official development assistance should be revamped to concentrate available resources on the countries that need them most; (4) the outstanding debts of the poorest developing countries should be reduced or eliminated; and (5) basic education for all individuals and retraining for adults are essential preconditions for increasing/upgrading employment everywhere. (Appended are lists of 8 background papers and the 26 participants in the technical meeting.) (MN)

TOWARDS HUMAN SECURITY

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The Employment Challenge
An Agenda for Global Action

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A Policy Paper commissioned by UNDP for the World Summit for Social Development

The Employment Challenge:
An agenda for global action

United Nations Development Programme
International Labour Office, Geneva

Preface

Which policies will do most to create decent jobs in sufficient numbers? The question has been investigated jointly by the UNDP and the ILO, and this booklet is the result.

In recent years a consensus has emerged that developing countries must achieve macroeconomic stability as a precondition for growth. But stability may not ensure the expansion of employment, and may not ensure sustained and equitable growth of incomes. Not only is there a need for creative government policies and interventions, but also for a better external environment, including faster growth in OECD countries and a redirection of aid flows.

This booklet is based on discussions at an ILO/UNDP technical meeting in Geneva in May 1994, on economic policies and employment. The meeting considered one general and several regional papers (listed in Appendix 1) on the nature of the employment problem and its macroeconomic solution; the UNDP provided financial support for their preparation, as well as for the meeting. The discussions reported in this booklet do not necessarily reflect the policy of either organization.

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Work, growth and the world economy

Economic policy exists to deliver social progress. Social progress is denied where there is high and persistent unemployment. In the middle 1990s, high unemployment characterizes the economies of the world's richest and poorest countries alike. Something is badly wrong.

Unemployment has risen, and stubbornly persisted, as the world's economies grow increasingly interdependent. National economies are being ever more closely tied to each other by global pacts (such as that which concluded the Uruguay Round of the GATT), and by regional arrangements (such as the European Union and the North American Free Trade Agreement (NAFTA)).

Even without such arrangements, new technologies by their own momentum promote economic integration. The revolution in communications moves goods, services and capital around the world at a rate never seen in history. New manufacturing techniques make possible unprecedented increases in productivity. Humankind can at last hope for a future in which poverty has been abolished.

But the immediate problem is of too little production and too few jobs. Economic integration makes it impossible for any one country to make a dash for growth and jobs on its own. The problem is global. The solution must be global too.

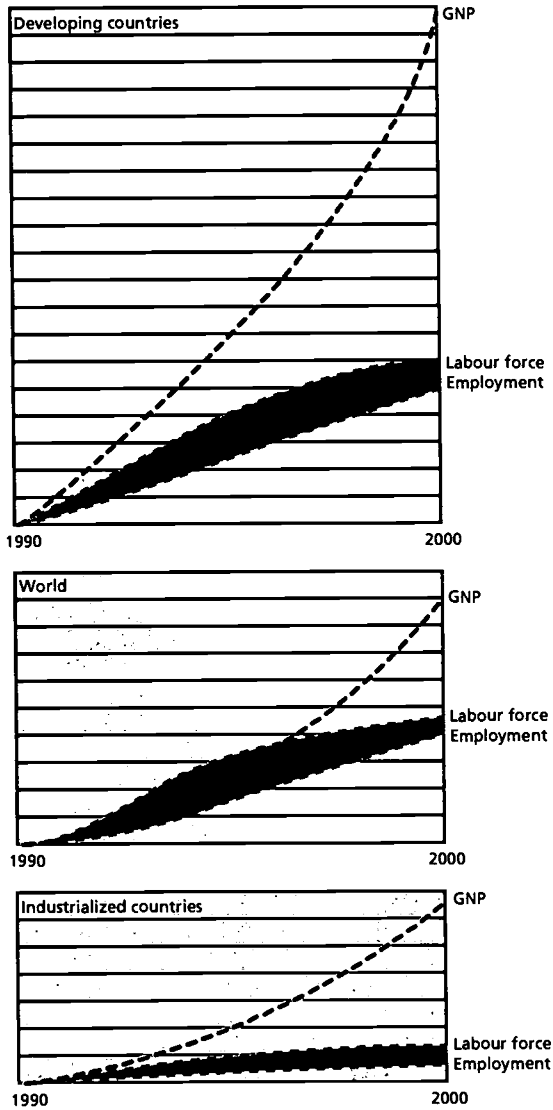
Of course, things look different in different places. In East and South-East Asia (including China) output and employment have been growing dramatically; but parts of that successful region lag sadly behind. In South Asia absolute poverty is being reduced; but the growth of employment is precarious, and much valuable work is paid at levels barely sufficient to keep families alive. The relative success of those regions, containing almost half of the world's people, proves that there is no reason to despair. But the achievement is fragile. Even there, far more remains to be done before the unemployment crisis can be considered solved.

In the rest of the world, entire generations of people are growing up who believe that it is unrealistic to hope for productive, remunerative and reasonably secure jobs. Societies that fail to offer that prospect are bound to be socially unstable and economically insecure. Figure 1 shows likely rates of output and labour force growth until the year 2000. The rates of growth of employment it shows are possible and indeed probable, pointing to the danger of unemployment increasing if policies do not change.

The pace of change is overwhelming whole sectors of economic activity. Those displaced from their jobs are often not equipped to work in the new activities that emerge. When new jobs are created they are often less well paid, less secure, and of lower quality than those that disappear.

Without concerted international action, across national frontiers and occupational differences, unemployment and its attendant miseries seem bound to persist, even to get worse. The prospect is intolerable. The techniques exist for improving it. This paper offers an overview of the world employment scene, and of ways in which it can be made brighter by international cooperation, through a global compact for growth.

Figure 1: Output, employment and labour force growth, 1990-2000



Source: Output growth from projections made by the International Monetary Fund, World Economic Outlook, May 1994, Washington, DC; labour force projections from the International Labour Office; *Economically active population*, fourth edition, Geneva, forthcoming; employment projections from ILO staff estimates.

World problems, world solutions

The trend towards world economic integration gathered pace in the early 1990s, promoted by international agreements and circumstances. The following are some examples:

- The completion in early 1994 of the Uruguay Round of negotiations in the GATT has set the scene for a worldwide opening of trade.

- Regional blocs (in North America, for a start) have been set up to foster free trade.

- Trade in services, although not adequately measured, seems to have grown much faster than trade in goods.

- The former centrally planned economies are being integrated (although at a low level of activity) with the rest of the world economy.

- Barriers to the international movement of capital have been much reduced.

- The international migration of labour has grown fast, although subjected to new restrictions.

These developments impose new constraints upon purely national economic policies. They limit taxation, interest rates, exchange rates and public-sector deficits. They make protected industries unviable, and unable to sustain their labour forces, however lavishly governments may support them. In particular they make it almost impossible to increase the relative price of labour in one country. Solutions must be sought across national frontiers, by concerted action.

Recent history shows what happens when countries try, and fail, to escape on their own from the unemployment trap. The economic woes of the 1980s followed the economic shocks of the 1970s. The sudden rise (and subsequent fall) of energy prices after 1973 encouraged massive and unsustainable international lending. Soaring interest rates, and huge government deficits in countries at all stages of development, were followed by a worldwide epidemic of inflation.

In reaction, many governments suddenly retrenched, often under pressure from international lenders. Stability, not dynamism, became the watchword. World trade slowed down, the annual average rate of growth in world merchandise exports was 6.6 per cent in the 1965-80 period, and 4.1 per cent between 1980 and 1991. As industrial activity declined in the industrialized nations, the prices of primary commodities fell, impoverishing the producing countries.

Seeking to redress the harm done by inflation, the industrialized countries tolerated what they hoped would be temporarily high levels of unemployment. Many of them raised new protective barriers against imports: the World Bank (1991) estimated that in the previous decade 20 of the 24 member countries of the Organization for Economic Cooperation and Development (OECD) became more protectionist, especially against competing products from developing countries.

None of these restrictive policies worked as they were meant to. True, inflation was curbed almost everywhere, and governments prophesied that monetary stability would, of its own accord stimulate growth. But unemployment went on rising; and where (as in the United States) it eventually started to roll back, rates of pay for the new unskilled jobs were far lower than those prevailing before the recession. Inequality increased, and so did the sense of deprivation.

Box 1: Unemployment in the 1990s

Similar employment problems are faced by seven groups of countries, each of which has attempted broadly similar solutions. These geographical groups are of course economically diverse; and the figures relating to them may look different, depending (for example) on whether their incomes are calculated on the basis of exchange rates or of purchasing-power parities.

With those reservations, Tables 1 and 2 summarize the basic facts about them, and particularly about their labour forces. Note in particular the rapid proportional increases in the labour force expected in the Middle East and throughout Africa, from north to south; and the vast absolute increase in the labour force that will occur in South Asia.

In the relatively rich industrialized nations that belong to the **Organization for Economic Cooperation and Development (OECD)**, economic growth has begun again. But jobs are growing more slowly than output; and even where (as in the United States) unemployment has fallen, the new jobs pay less for less skilled workers and are less secure than those that were eliminated during the latest recession.

Eastern Europe is leaping from central planning towards a market system for which its peoples and institutions are wholly unprepared. The transition has wiped away many jobs, without putting others in their place. Subsidies, intended to cushion this effect, demand massive government spending without providing government revenue. This contributes to inflation, which makes the new poor even poorer.

Latin America and the Caribbean face rapid growth in the population of working age, rising participation by women in the labour force, and a continuing shift from rural to urban employment. At the same time governments are reducing the size of, and employment in, the public sector. The new jobs that are being created are almost all in the informal sector, unregulated and uncounted.

The Middle East and North Africa confront the consequences both of recent population growth and of a sharp decline in the oil revenues upon which the region's potential prosperity depends. Governments can no longer act as the employer of last resort, especially for graduates from the vastly expanded university systems. The

Meanwhile, in the poorest countries, things got absolutely worse. Box 1 (below) summarizes, region by region, the world employment situation in the mid-1990s. The picture is gloomy.

resulting social instability prevents governments from tackling reforms that they know to be desirable.

In **sub-Saharan Africa** the crisis is at its fiercest. With almost three-quarters of the region's people living in rural areas and their numbers increasing at an unprecedented rate, figures for employment and job creation are at best sketchy. More than half of all non-farm employees work for governments, which clearly cannot afford to hire more or to raise the real wages of those whom they do employ. The process of structural adjustment devised for the heavily indebted African countries has not so far been translated into increases in employment, or reductions in absolute poverty.

East and South-East Asia shows rapid growth both in general economic activity and in employment. Typically, the state sector is small, labour markets are lightly regulated and policies are devised to favour private employers. Exports have been carefully promoted by manipulated exchange rates. Social stability and equality of incomes have been shielded by protection against imports, especially of farm staples such as rice. A low priority has been given to human rights, especially to freedom for workers' associations and the promotion of opportunities for women. There are signs, in countries such as the Republic of Korea, that economic progress is being followed by social progress.

China, as befits its size, is a case on its own. A headlong rush for economic liberalization has contributed to astonishing (and probably unsustainable) rates of economic growth and a rapid decline in poverty. This has been achieved under tight political control, with no concessions to human rights or the rights of workers.

South Asia consists entirely of low-income countries that export no oil. On the whole, they survived the shocks of the oil and debt crises rather well. But they need to create huge numbers of jobs, because women are joining the labour force fast, just as large numbers of young people of both sexes enter the labour market. There has also been a rapid flow of labour from farming into the cities; but productive employment in agriculture may grow. Governments are reducing the labour market restrictions that make many large enterprises (especially in the state sector) uncompetitive.

Table 1: Population and labour force, 1991 (millions) and projected

	Latin America and the Carib-bean	Sub-Saharan Africa	East and South-East Asla	South Asia	Middle East and North	Forrner Soviet Union Africa Europe	OECD and East	Other	World
Population	445	526	1653	1195	297	414	803	42	5374
Labour force	172	191	902	435	98	215	390	18	2420
Male	116	123	519	330	82	110	226	11	1517
Female	56	68	384	104	16	105	164	7	903
Labour force as percentage of population	39	39	55	36	33	52	49	43	45
Female labour force as percentage of total labour force	32	36	43	24	16	49	42	39	37
Male participation rate	53	47	61	53	54	56	58	52	56
Female participation rate	25	26	47	18	11	49	40	33	34
Annual growth rate of labour force 1991-2000	2.1	2 .8	1.2	2.3	2.9	0.7	0.3	0.4	l.5

Source United Nations: *World population prospects*, the 1992 revision, New York, 1993; International Labour Office:*Economlcally active population*, Geneva, forthcoming.

Table 2: Growth rates and income levels

	Annual growth rates (per cent) 1973-80	1980-90	1990-93	1992 per capita GNP: (WB Atlas Method) US$
Latin America and the Caribbean				
Population	2.4	2.1	1.9	–
GNP per capita	2.3	0.5	1.1	2765
Sub-Saharan Africa				
Population	2.8	3.1	3.0	–
GNP per capita	0.6	-1.1	-1.3	467
East and South-East Asia				
Population	1.7	1.6	1.5	–
GNP per capita	4.8	6.3	6.9	922
South Asia				
Population	2.4	2.2	2.0	–
GNP per capita	1.8	2.9	1.5	316
Middle East and North Africa				
Population	2. 9	2.9	2.8	–
GNP per capita	1.9	-0.6	0.3	1956
Former Soviet Union and Eastern Europe				
Population	0.8	0.7	0.7	–
GNP per capita	3.6	1.7	-10.5	2015
OECD				
Population	0.7	0.6	0.5	–
GNP per capita	2.1	2.5	0.6	22896

Source: World Bank: *World tables*, Washington, DC, various dates.

"Jobless growth" — or benign transition

The contrast in performance between the world's most and least successful regions is sharp, and bitter. East and South-East Asia are enjoying unprecedented growth of both real incomes and employment. Africa and the Middle East confront a potential catastrophe of demographic growth and economic failure. Meanwhile the industrial countries of the OECD are baffled by the persistence of unemployment amid prosperity.

The facts do not support the view that the world is inexorably set on a path of "jobless growth", by which technological progress will benefit a few and disadvantage the many. New technologies have created, and made possible many millions of jobs in most regions. Employment has grown fastest in economies that have grown fastest.

Where the unemployment crisis exists, it has been created not by chance but by error; by incentives that distort and institutions that are inadequate. For example, national policies have often been mistakenly devised to promote capital investment, when labour-intensive production was what the country needed. Before the debt shock of the late 1970s, the economies of Latin America were growing fast; but they created far fewer jobs than have recently been created in Asia's economic boom.

National governments borrowed imprudently, for unproductive purposes, and thus made necessary the structural adjustment programmes of which their successor governments now understandably complain. Excessive borrowing fostered domestic inflation.

The attempt to curb that inflation brought about recession. And the fight against inflation continues, even now that the battle is largely won, and the jobs crisis is more menacing than the monetary one.

External influences imposed the debt crisis. External considerations have helped to impose its successor, the employment crisis. Monetary restraint in the industrial countries brought growth there to a halt. They therefore reduced their imports from primary-producing developing countries. Those developing countries — especially the weakest of them, heavily dependent on commodity exports — in turn suffered recession.

In particular, the OECD countries limited domestic borrowing by increasing their interest rates. So interest rates rose everywhere, above all in the developing countries that had borrowed heavily, especially those in Latin America. Capital stopped flowing from the OECD countries to the developing world; this limited the developing countries' ability to buy goods and services from the OECD countries, and made their recovery harder. It was a vicious circle. Future policy must break out of it.

Domestic policies

The importance of domestic policies is self-evident. The East Asian economies that in the 1980s avoided stagnation and unemployment did so because they got their domestic policies right. Prudent borrowing, creative use of exchange rates, promotion of exports, protection of food producers, restraint of nominal wages — all these factors combined to keep the growth of employment in step with overall economic growth. Other nations and regions should look carefully at the implications.

Without sound domestic policies, no country will progress towards the goal of prosperity and full employment. A stable and noninflationary currency, a high rate of savings and investment, as well as prudent management of exchange rates, are necessary preconditions for sustainable growth. All that goes without saying.

Yet many countries still lack civil peace, the rule of law, and the efficient delivery of public administration. In so far as the international community can help to install good governance, it should endeavour to do so.

The most important contribution that national governments can make to economic growth and the efficiency of the labour market is through education and training. There is overwhelming evidence that the best investment countries can make is in basic education, especially of women. Women's education reduces birth rates and improves children's health. The *World development report* (1992) of the World Bank noted that improving girls' education contributes to environmental conservation and sustainable development.

Governments can ease the transfer of employment from declining to growing sectors by new forms of social security and temporary income supplements; and by ensuring the transferability of pensions and benefits such as health insurance.

As some economic sectors decline and others rise, the opportunities to increase employment in declining sectors should not be forgotten. For example, investment in irrigation may create new jobs in labour-intensive agriculture, while the general farm labour force continues to decline. Equally, service industries can often develop new and profitable markets, with a high potential for employment by adapting to match new forms of demand.

International policies

Interdependence between nations has increased, and will continue to increase. No solution can work unless it takes that into consideration. In the 1980s, the growth of world trade slowed markedly for most groups of countries (see table 3), and where trade faltered unemployment rose.

Table 3. Exports of country groups as a percentage of world exports

	1980	1991
OECD countries	62.9	71.5
Former Sovet Union and Eastern Europe	7.8	5.0
Developing countries	29.3	23.5
Latin America and the Caribbean	5.4	3.9
Asia	8.7	14.9
Africa	4.7	1.9
West Asia	10.5	2.8

Source: United Nations: *World economic survey*, New York, 1993

Between 1980 and 1991:

■ The OECD's share of world exports increased sharply, from 63 per cent to 72 per cent. Meanwhile the OECD's trade with the developing countries fell sharply, from 30 per cent to 20 per cent as a share of the OECD's imports. (Falling oil prices speeded this decline.)

■ Asia's share of world exports rose, while that of the other developing countries declined. In particular. OECD imports of Asian manufactures rose sharply.

■ As the developing countries' trade with the OECD countries declined, their trade among themselves increased significantly (from a low base). This increase was wholly accounted for by Asian countries.

■ The largest proportional increase in international trade took place between China and the rest of East and South-East Asia. (But the figures may be deceptive: much trade with China was not recorded, for political reasons.)

■ The OECD's terms of trade improved, while the terms of trade of Africa and the Middle East grew dramatically worse.

■ The OECD countries reduced their imports because they were in recession, then reduced them still further by protectionist import restrictions. Non-Asian developing countries failed to increase their exports.

■ Capital flowed from the developing to the developed nations; in 1985, largely because of heavy debt repayments, the reverse flow of capital towards the rich nations was as high as $30.2 billion.

Yet the worst may be over. Recently there has been a general, if fragile, recovery in most commodity prices (but not in oil). Real interest rates fell dramatically in the early 1990s (but may be heading up again). Capital is flowing again towards the developing countries by US$26.8 billion in 1992 (but much of that was short-term lending and the poorest countries of Africa felt little benefit). Several heavily indebted countries have escaped from the trap; strengthened by capital inflows, they are borrowing again on international markets.

A few developing countries achieved high growth of their economies, and of employment, while the OECD's recession was at its height. Now the OECD's recession may be ending. The World Bank has recently projected an overall annual growth rate of 2.6 per cent for the OECD economies in the 1994-2003 period. Yet if growth is to gather pace throughout the developing world, faster OECD growth is essentlal .

In particular, economic expansion in the OECD countries would revive Africa's export performance and improve Africa's terms of trade. Among the main beneficiaries would be the OECD countries themselves, whose African markets would expand quickly.

Like the generals in the old story, the governments of the industrial world have got ready to fight the last battle: the battle against inflation. But the real enemy in the mid-1990s is not inflation but unemployment.

Careful monetary expansion by the OECD countries would, to be sure, entail some risk of renewing inflation. But high unemployment throughout the OECD should help to ensure that wage increases do not contribute to inflation. And the risk of inflation would be much reduced if the expanding countries kept pace with each other, and did not seek to gain a competitive advantage in the process. By increasing, in concert, domestic demand they would put to work large numbers of their own unemployed. Soon that increased demand would translate itself into higher commodity prices enabling the poorest developing countries to increase their imports. This, in turn, would promote the non-inflationary growth of exports from the OECD countries. Everybody would gain — especially the unemployed in rich and poor countries alike.

Freer trade, better aid

With the conclusion (and it is to be hoped, speedy ratification) of the Uruguay Round of bargaining in the GATT, the conditions have been established for worldwide freer trade in goods and services. That was a necessary precondition for speeding the growth of economic activity. International cooperation is more than ever necessary if full advantage is to be taken of this opportunity to put more people to work.

We have seen that, in the bad years of the 1980s, many industrialized countries sought to mitigate the effects of recession by restricting Imports, and thus made recovery harder for themselves.

Opening borders to the flow of trade would reverse that damage. In 1993 the World Bank made the following estimate: "Total exports from China, Jamaica, Pakistan, Thailand and the Philippines would increase by at least 40 per cent if OECD tariff barriers were removed. Other countries would gain even more..." In particular, several countries specializing in exports of textiles and clothing would benefit dramatically, with corresponding gains in their ability to import from the OECD itself.

Poor countries, where real wages are low, obviously have a competltive advantage in labour-intensive manufacturing. If rich countries import more low-price manufactures, they will equally obviously employ fewer of their own people in low-wage jobs. If economic growth is fast enough, the lost jobs will be replaced by new jobs demanding higher skills and paying higher wages. But this process cannot be left to chance; governments and social partners must work together to ease the transition, especially in retraining displaced workers and ensuring that labour markets operate humanely and efficiently.

In the industrialized countries, ill-considered protectionist measures are often called for as a response to cheap imports, or against the failure of exporting countries to safeguard workers' rights. But trade restrictions defeat their own objective. They reduce the rate of economic growth, and thus in turn increase unemployment. When unemployment is high, workers' conditions rarely improve, and their rights are rarely acknowledged. In this respect, too, progress can best be made by cooperation, not confrontation. Exporting and importing countries must work together to raise standards without resorting to protectionism. Only exceptional circumstances can justify restraints on the growth of trade.

Trade should grow rapidly in the coming decade, especially because of the conclusion of the Uruguay Round and the creation or strengthening of regional free trade pacts. According to the GATT secretariat, the agreement should by the year 2000 boost world merchandise trade by an extra 12 per cent. The benefits could be larger still.

The GATT agreement permits some discriminatory trade barriers against developing country exports of textiles, garments and footwear — labour-intensive products, in which low pay gives the poorest countries a competitive advantage. Even where, as is certainly the case, workers are at present exploited in such countries, the fastest way to end the exploitation is to increase the demand for labour and thus raise its price. Those trade barriers should be lowered.

Special attention must furthermore be paid to the effect of the Uruguay Round on the food-importing countries of sub-Saharan Africa. By raising world food prices, the agreement may in the short term harm the trade balances of these countries, for which compensatory arrangements should be made.

Aid and its conditions

Official development assistance (ODA) is defined as net disbursement of grants and loans made on concessional financial terms. In 1991 the world total of ODA was US$58.2 billion, the vast majority of it from member countries of the OECD. Overall, this was equal to 0.33 per cent of those countries' total GNP.

Private flows of capital to the developing world were much larger, at $113 billion in 1992-93. After the low period of the 1980s, this was a return to the level seen before the debt crisis. The flow may once more prove unsustainable; in any case, most of it went to a few countries whose national incomes are already classed in the middle-income category and above. Private capital hardly benefited the poor.

A high proportion of ODA, too, flows towards relatively prosperous countries. During the days of the Cold War, aid was sent mainly to political allies, or with the aim of maintaining regional stability. With that confrontation over, it is a good time to focus aid deliberately upon those who most need help — say, the 48 countries (containing 72 per cent of the people in the developing world) that in 1991 had a per capita income below US$1,000.

The relatively successful developing countries would, in this case, rely mainly on flows of private capital, which we have seen to be larger in total than ODA.

If ODA were clearly seen as an instrument of economic development, rather than of military or political manipulation, its allocation would be much simpler. Aid would go to the countries that most need it, and use it best.

A main test of performance could be the expansion of productive employment; other relevant social achievements are those analysed in the UNDP's annual *Human Development Report*. Simply put, countries that create jobs and improve the lot of their peoples would be rewarded for doing so. Furthermore, ODA to genuinely poor recipients should be conceded entirely as grants, rather than as loans that have often served mainly to plunge indebted countries even deeper into debt.

Debt reduction

Most of the world's most severely indebted countries are in sub-Saharan Africa; desperately poor countries, gravely affected by recession in the OECD. The Uruguay Round will not much benefit them, and may (by raising world food prices) make their lives yet harder. Few of them were ever able to borrow much from private creditors. Their debts to individual donor countries have mostly been forgiven or deferred. Their main outstanding debts are, therefore, owed largely to the multilateral aid agencies, which at present are not allowed formally to write off debt. It would be reasonable and prudent, and a great saving of administrative time and ingenuity, if a way could be found of eliminating those debts altogether.

Fitting jobs to people

People come first. Governments must create the conditions in which all their citizens have the opportunity to find reasonably secure, remunerative and productive employment. Yet it is not States but families that decide how many citizens there shall be.

Several countries in different parts of the world have dramatically reduced the rate of growth of their population. Success is most likely in economies that are growing and where educational opportunities are improving. Yet even where birth rates have fallen, the number of children born each year will go on rising, as the many women born in past years reach the age of parenthood.

And for many nations — especially in Africa, from north to south — the demographic time-bomb has already exploded. There are too few jobs for too many young people, who see almost no chance of finding secure employment. Many governments have made things worse by attempting to become the employers of last resort. For those who could not find productive work, they have created jobs with no identifiable purpose, producing no goods that people want and no useful services.

A swollen and underemployed public service imposes an inflationary burden on national exchequers; rates of pay are therefore kept very low, adding to the frustration of those intended to be the beneficiaries. The social consequences are worst when, as is often the case, government jobs are offered automatically to all those completing a specified level of education. Past policies of this kind are regarded as significant contributors to social unrest.

Without underlying economic growth, the attempt to increase state employment is unsustainable and self-defeating. The way forward must be by increasing productive activity, and offering an appropriate education to those who will work in it. The best way to strengthen labour markets — and to satisfy individuals — is by providing basic education for all.

Women, and other disadvantaged groups

It is of course a human and moral imperative to encourage full participation of women in all aspects of society. The practical points we make here are that female advancement has a quick and lasting effect on birth rates; and that well-educated mothers improve the educational chances of the children they bear. Improving women's educational and other opportunities, including those for entry on equal terms into the labour force, is the key both to limiting the growth of population and to improving the welfare of coming generations. It is the most significant single way to bring about general social advancement.

Yet in most regions women suffer disadvantages. In the Middle East and in most of Africa they are in practice largely excluded from paid employment. Almost everywhere, and notably in East Asia, women's wages are discriminately low. Even in many otherwise enlightened societies, their educational opportunities are limited. Very rarely are they offered the child-care facilities they need if they are to compete on equal terms with men.

Many societies treat members of certain ethnic (and sometimes religious) groups with equal unfairness; examples are indigenous people in Latin American countries, and gypsies in Eastern Europe. Members of traditionally disadvantaged groups tend to suffer longterm unemployment, giving rise to further social disadvantage.

Legislation against discrimination is only the start of a comprehensive policy for the protection of disadvantaged groups, including women. They need better access to education, and to productive resources, if they are to make their full contribution to society.

Labour Markets

Like all markets, the market for jobs works best when demand roughly matches supply. At times of high unemployment that is not the case, and the fault lies with governments. It means that their macroeconomic policies are failing to ensure the efficient use of resources, especially of labour.

Inappropriate government policies may also distort labour markets so badly as to contribute to mass unemployment. Especially in Western Europe, labour market policies have often been enactments of agreements between organizations of workers and of employers. Laws and regulations formalize massive social gains made over many years.

It is often argued that, as technology and the economic environment change, such policies may come to limit job creation as well as labour mobility. If so, the policies need changing. But it is extreemely difficult to tell whether labour market distortions are caused by inappropriate regulation, or by general market failures.

It must be frankly recognized that labour market flexibility means different things to different people. The creation of new job opportunities is essential: but so is the protection of existing, workers' rights. It is important to recognize, and reject, the version of flexibility that implies only reductions in pay and in workers' rights. It is not progress to replace secure employment by other jobs of lower quality at lower pay.

East Asia has shown in recent years that labour mobility can be compatible with increased employment and rising pay — but only in the context of rapid economic expansion. In most other developng countries, where growth is sluggish, labour mobility is also slow. Most new jobs are generated through self-employment and the informal sector. Sometimes, but too rarely, the informal sector achieves high productivity and dynamic growth; mostly, though, informal-sector work is relatively unproductive, and low paid.

Appropriate responses should be devised in the light of several considerations:

- the method by which wages and conditions of work are set in any country should respect democratic traditions; growth in developing countries may be hampered by rules copied from those prevailing in economies with more highly developed labour markets;

- restricting labour mobility by employment quotas, or by guaranteeing employment in unviable enterprises, may reduce overall economic activity and deny job opportunities to new entrants in the labour market;

■ if public-sector pay is disproportionately high, it can distort labour markets and contribute to unproductive public expenditure; and if public-sector employment is too high a proportion of total employment, it may lead to inefficiency in public services and further labour market distortions;

■ the most effective government action to improve the working of the labour market is by promoting basic education and encouraging the retraining of workers bypassed by technical or economic change;

■ legislation, and persuasion, can help to ensure that members of disadvantaged groups have a fair chance to find work;

■ exceptional problems may call for special labour-market policies. Examples include:

(a) natural disasters, where well-established public works programmes can be efficiently expanded to both relieve distress and build capital assets such as roads or dams;

(b) economic disasters such as that affecting much of Eastern Europe, where jobs have been eliminated by harsh but necessary reforms, and savings by hyperinflation. There, as the World Bank has argued, it may be impossible to find even short-term work for those affected, and cash income supplements may be the only way to avoid distress.The overriding rule is that emergency relief be finite, offering the beneficiaries a strong incentive to return actively to the labour market as soon as possible.

An outline for global action

Nations that act together can greatly increase their chances of providing remunerative and sustainable work for all their citizens. Full employment is possible only if economic growth is rapid. The world has become a global market in which trade transfers the benefits of growth and its risks — from one economy to another.

Certainly individual countries can exclude themselves from the growth process by, for example, bad macroeconomic management, bureaucratic rigidity or institutional corruption. Good governance and the rule of law are the domestic basis for growth. But no one country can keep growing for long on its own. The approach to full employment in an interdependent world must start with an international compact.

The World Summit for Social Development in Copenhagen in March 1995 will provide the opportunity for agreement on an agenda for worldwide growth. This paper has outlined some of the problems and prospects. Here we briefly offer some proposals:

- The industrial countries of the OECD must coordinate their policies for faster growth.
- The momentum towards freer trade must be sustained, with reductions in tariffs and other barriers by countries at all levels of development.
- The system of official development assistance should be entirely reformed, to concentrate the resources available on the countries most in need.
- The outstanding debts of the poorest developing countries should be reduced or, better, eliminated.
- Basic education for all (especially for women), and retraining for adults, are essential preconditions for increasing and upgrading employment everywhere. They should be supported by more and better technical assistance, including the transfer of educational technology.

An integrated world demands concerted action. All nations have a common interest in the growth of trade and of economic activity: so do all enterprises, national and multinational, and all workers' organizations. Faster growth will put the jobless to work.

To promote global growth, a global compact is needed. No country, or sector, can on its own fulfil its full potential and provide the jobs that people need. All can succeed if they pull together. Now is the time to start.

The aims of a global compact would be to speed the growth of employment, reduce poverty and improve the quality of the jobs provided. The subjects it would need to consider are wide-ranging but closely interwoven. They include trade, aid, the operation of labour markets, migration, the movement of capital and the safeguarding of the environment.

In all these areas there are shared risks to be avoided, and mutual advantages to be obtained. Global action must be defined by a global forum. It is for the World Summit for Social Development in Copenhagen in 1995 to draw up the agenda and start the process.

Appendix 1 List of background papers

1. *Growth, macroeconomic stability and employment expansion: A global strategy*, Azizur Rahman Khan.
(to be published by the ILO as *Overcoming Unemployment*)

2. *Macroeconomic policies and employment expansion: The East Asian experience*, Dipak Mazumdar and Priya Basu.

3. *Sustaining growth and employment expansion in South-Asia Some issues in macroeconomic and labour market policies*, M. Muqtada and Priya Basu.

4. *Macroeconomic stability and employment in the Middle East and North Africa*, Massoud Karshenas.

5. *Macroeconomic stability and employment expansion in Latin America*, Albert Berry, Maria-Teresa Mendez and Jaime Tenjo.

6. *Unemployment and wage inequality in OECD countries: Perspectives on economic and labour market policies*, Richard Jackman.

7. *Economic policies, employment and labour markets in Central and Eastern Europe*, Richard Jackman.

8 . *Structural adjustment policies for employment expansion: Africa south of the Sahara*, John Weeks.

Appendix II List of participants

The background papers listed in Appendix I were discussed at an ILO/UNDP Technlcal Meeting on economic policies and employment (Geneva, 26- 27 May 1994).

The following persons participated:

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